

## Message Text

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ACTION NEA-12

INFO OCT-01 EUR-25 ADP-00 AID-20 CIAE-00 COME-00 EB-11

FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

CIEP-02 LAB-06 SIL-01 OMB-01 DODE-00 PA-03 USIA-15

PRS-01 FS-01 PER-05 ABF-01 L-03 RSR-01 /141 W

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P R 121135Z AUG 73

FM AMEMBASSY JIDDA

TO SECSTATE WASHDC PRIORITY 4631

INFO AMCONSUL DHAHRAN

AMEMBASSY ABU DHABI

AMEMBASSY BEIRUT

AMEMBASSY BRUSSELS

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY MANAMA

AMEMBASSY PARIS

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PARIS PASS RFC

E.O. 11652: N/A

TAGS: EFIN, SA

SUBJ: MINIMAL SAUDI REVALUATION

REF: JIDDA 3402

1. ROYAL DECREE ISSUED AFTERNOON OF AUGUST 11 SETTING NEW RATE FOR RIYAL IN TERMS OF GOLD EFFECTIVELY REVALUING BY 5.078 PERCENT (RPT 5.078 PERCENT) A SURPRISINGLY MODEST CHANGE.

2. EXACT NEW RATES ARE AS FOLLOWS: SAMA RATE FOR BUYING DOLLARS IS 3.545 RIYALS AND SELLING RATE SET AT 3.555.

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OFFICIAL VALUE OF RIYAL IS 28.16 CENTS (RPT 28.16 CENTS).

ONE HUNDRED RIYALS AT THE OLD RATE WOULD BE WORTH  
95.1675 AT NEW RATE.

3. LOCAL NEWS MEDIA EMPHASIZED THE NECESSITY OF RE-  
VALUATION TO PREVENT FURTHER GREAT HARM TO THE RIYAL  
ECONOMY FOLLOWING THE DOUBLE DOLLAR DEVALUATIONS. EDI-  
TORIAL IN NADWA AUGUST 12 NOTED NEW RATE GIVEN ONLY IN  
TERMS OF GOLD AND SAID THAT THIS MADE CLEAR RIYAL WAS NO  
LONGER CONNECTED WITH DOLLAR CURRENCY AND IS A TRUE  
NATIONAL AND INDEPENDENT CURRENCY. AN AL MEDINA GUEST  
EDITOR ALSO NOTED RIYAL WAS NO LONGER DIRECTLY CONNECTED  
WITH AND WAS FAR REMOVED FROM THE DOLLAR EXCHANGE MARKETS.  
THERE IS HOPE, HE WROTE, THAT THE RIYAL ITSELF MIGHT NOW  
BE STRONG ENOUGH TO BE ACCEPTED BY OTHER COUNTRIES TO  
FINANCE SAUDI IMPORTS.

4. LOCAL SOURCES AGREE GOVERNOR ALI OF SAUDI MONETARY  
AGENCY (SAMA) HAD ARGUED AGAINST ADJUSTMENT AT THIS TIME  
ON BASIS THAT IT WAS COUNTERPRODUCTIVE TO KINGDOM'S BASIC  
POLICY OF SEEKING TO INDUSTRIALIZE. BY CHEAPENING IMPORTS  
AND MAKING POTENTIAL EXPORTS MORE EXPENSIVE, HE REPORTEDLY  
CONTENDED SAG NOT FOLLOWING CONSISTENT MONETARY AND IN-  
DUSTRIALIZATION POLICIES. MODEST RATE CHANGE APPEARS TO  
BE A COMPROMISE WITH OTHER BOTH WITHIN AND OUTSIDE GOVERN-  
MENT.

5. LOCAL BANKING FIGURES VIEW REVALUATION AS POTENTIALLY  
DISAPPOINTING IN PURELY MONETARY TERMS OF RESTORING  
CONFIDENCE IN DOLLAR-RIYAL EXCHANGE MOVEMENTS. BUSINESS-  
MEN FEEL MINIMAL REVALUATION MORE PSYCHOLOGICAL THAN  
ECONOMIC IN ITS IMPORTANCE.  
THACHER

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** FOREIGN EXCHANGE RATES, REVALUATIONS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 12 AUG 1973  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** golinofr  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1973JIDDA03428  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** n/a  
**From:** JIDDA  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1973/newtext/t19730843/aaaabfds.tel  
**Line Count:** 93  
**Locator:** TEXT ON-LINE  
**Office:** ACTION NEA  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 2  
**Previous Channel Indicators:**  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** JIDDA 3402  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** golinofr  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 02 JAN 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <02-Jan-2002 by thigpegh>; APPROVED <14-Jan-2002 by golinofr>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** MINIMAL SAUDI REVALUATION  
**TAGS:** EFIN, SA  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005